Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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| In the Matter of | ) | |
| | ) | |
| Proposed Revisions of | ) | |
| Part 69 of the Commission's | ) | RM-8389 |
| Rules to Allow for Incentive | ) | |
| Settlement Options for NECA | ) | |
| Pool Companies | ) | |



# COMMENTS OF THE NATIONAL TELEPHONE COOPERATIVE ASSOCIATION

The National Telephone Cooperative Association ("NTCA") submits these Comments pursuant to Public Notice, DA 95-1133, released by the Commission on May 19, 1995, in the proceeding captioned above. The Commission is seeking public comment on supplemental comments filed by the National Exchange Carrier Association ("NECA") on May 15, 1995, in this proceeding ("NECA's Supplemental Comments"). NECA's Supplemental Comments propose modifications to its optional incentive settlements plans for NECA pool participants. NECA originally proposed these incentive options in a petition filed on November 5, 1993.[1]

NTCA is a national association of approximately 500 small local exchange carriers ("LECs") providing telecommunications services to subscribers and interexchange carriers throughout rural America. The vast majority of NTCA's member LECs continue to participate in the tariff and revenue pools administered by NECA and will be affected either directly by opting for or

[1] By Public Notice, Report No, 1986, released by the Commission on November 16, 1993, the Commission sought comments on NECA's petition. Comments in this proceeding were originally filed on December 15, 1993.

indirectly by others' actions with respect to the proposed pooling options. NTCA continues to support NECA's proposals as necessary to keep pool participation options in step with regulatory treatment options allowed outside the pooling environment.

NTCA's 1993 comments emphasized that NECA's proposed incentive options, if adopted, could extend to pool participants many of the public policy benefits that the Commission has recognized could evolve as the result of incentive options allowed outside the pools. These benefits could arise without several hundred smaller LECs being required to file individual tariffs or forced to abandon the administrative efficiencies of participating in the NECA tariff. NTCA likened the incentive options to that of interstate Average Schedules which continue to present many public policy benefits.

NTCA continues to advise, however, that the application of incentive options may not be compatible with the operations of many small and rural LECs. As with price caps, the challenge of high costs, low or unpredictable traffic volumes, and sparsely-populated service areas creates variability in operations which makes commitments to rigid per-unit settlements too risky for some LECs. Therefore, the Commission should recognize that the incentive options cannot replace the availability of the traditional cost study form of settlements.

Likewise, the incentive options should not disrupt the interstate Average Schedules form of settlement option. In many ways, Average Schedules already pose many of the characteristics associated with incentive forms of regulation.[2] Interstate Average Schedules are a simple, straightforward method for many small LECs to receive settlements without the burden of completing cost studies. Many small LECs see Average Schedules as the most desirable form of settlements such that this form of settlements should be extended as an option to greater numbers of small LECs. Therefore, apart from the instant request of NECA to extend other incentive options to the pools, a 1993 NECA request asking that more small LECs be allowed to elect the interstate Average Schedule form of settlements still awaits action.[3] Since potentially as many, if not more, NECA pooling LECs and LECs that may have exited the pools in favor of options only allowed outside the pools may desire to convert to Average Schedules within the pools, NTCA asks that the Commission proceed to resolve the outstanding issues in this proceeding in tandem with the incentive options proceeding. Both proposals should be adopted as soon as possible.

NECA's latest proposed modifications to its incentive options includes the replacement of its original Profit Sharing

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[2] For example, average schedule LECs are motivated to operate at cost levels under the amount of settlements yielded by the average formula settlement.

[3] NECA Petition for Rulemaking filed on September 13, 1993, In the matter of Proposed Revision of Section 69.605 of the Commission's Rules to Allow Small Cost Settlement Companies to Elect Average Schedule Status, RM-8357. See, also, Comments filed by NTCA on November 1, 1993, and Reply Comments filed on November 15, 1993, in RM-8357.

Incentive Option with a new plan called the Customer Dividend Options. To the extent that the public benefits are more apparent and immediate with NECA' revised approach, the modification should further favor approval of the plans. NECA's original petition and NECA's Supplemental Comments include substantial discussion of the mechanics, incentives and potential benefits of its proposals that support adoption of their plans.

Finally, the other Small Company Incentive Option plan remains unchanged and should also be adopted concurrently with the other options discussed above.

With these comments in mind, the Commission should move forward expeditiously to modify the necessary access plan rules to broaden the settlement options available to pooling LECs consistent with the NECA proposals. These options should supplement the existing cost study and average schedule settlement options, but should not replace these methods.

Respectfully submitted,

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June 19, 1995

<u>CERTIFICATE OF SERVICE</u>

I, Rita H. Bolden, certify that a copy of the foregoing Comments of the National Telephone Cooperative Association in RM-8389 was served on this 19th day of June 1995, by first-class, U.S. Mail, postage prepaid, to the following persons on the attached list:

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